

COMPUTREX CENTRES LTD.

SOURCE AND APPLICATION OF FUNDS

Six Months ended September 30, 1971
(with comparative figures for 1970)

	1971 (Audited)	1970
Source of funds:		
From operations:		
Net earnings (loss)	\$206,210	\$(441,735)
Add charges (credits) not requiring cash:		
Depreciation and amortization	67,138	67,693
Amortization of excess cost of subsidiary	17,600	—
Cash surrender value of life insurance	(4,150)	—
Gain on disposal of fixed assets	(9,503)	—
Funds provided from operations	277,295	(374,042)
Proceeds on disposal of fixed assets	19,120	—
Other	2,252	—
Total funds provided	298,667	(374,042)
Funds applied:		
Purchase of fixed assets	258,150	33,644
Increase in net leases receivable	40,965	—
Increase in residual value of leased equipment	6,260	—
Reduction of long-term debt	33,388	16,303
Total funds applied	338,763	49,947
Decrease in working capital	40,096	423,989
Working capital at beginning of period	31,404	1,087,523
Working capital at end of period	\$ (8,692)	\$663,534

NOTE: Comparative figures for the six months ended September 30, 1970 and 1971 have been presented to conform with current reporting requirements. However, the changes, as at January 1, 1971, in the management of the company and additional productive assets and operations of present subsidiaries compared with the six months ended September 30, 1970.

copy report



TO THE SHAREHOLDERS:

I am pleased to report to you on behalf of the Board of Directors the results of your Company's operations for the six months ending Sept. 30, 1971.

In my last report to you I made reference to the successful beginning of the combined operations of Micro Graphics Ltd. and Computrex Centres Ltd. under the new name of Computrex Centres Ltd. I outlined the numerous benefits that would accrue as a result of integrating the services, offices and personnel expertise of the two companies. It gives me a great deal of pleasure to say that we have achieved effective integration and efficient operations across Canada. Our very satisfactory results of increased sales were made in spite of the relatively slow economic growth in this country in the same period.

Since our position has continually improved in comparison to other businesses, we are confident that when a general upturn in all business becomes clearly evident, it should reflect in even higher revenues in our computer related industry.

Gross revenue for the six months ending September 30, 1971 was \$853,437.00, resulting in a cash flow from operations of \$277,295.00. After provision for depreciation and amortization of excess cost of subsidiary, net earnings amounted to \$206,210.00 or 4¢ per share for the six months ended September 30, 1971.

Although comparative figures for 1970 have been presented, meaningful comparisons are difficult to present as more fully noted elsewhere in this report. However, the comparisons for what they are worth shows 1971 gross in-

come of \$853,437.00 vs. 1970 at \$206,258.00 and net earnings of \$206,210.00 vs. a loss of \$441,735.00 for the comparative six month period of 1970.

We are pleased to report that due to our much improved statement, we have negotiated a loan with a chartered bank that improves our current liabilities position by several hundred thousand dollars. Initially we will have up to \$500,000.00 available for equipment leased to our clients. We have recently taken up to \$350,000.00 for this purpose.

The loan, at a most favorable interest rate will reflect in reduced interest expense for the last three months of this year and will make considerable difference in the next full fiscal year.

For the remainder of the year I foresee continued increases for all products and services — comparable and probably better than our first six months. New leases have been signed, old leases have been renegotiated at essentially the same prices as previous and significant COM contracts have been added lately. We expect to announce the addition of a further Canadian city to our growing list of service centres. However, as we plan expansion, we must continually monitor the available market and ensure that adequate financing is available at reasonable rates of interest.

Computrex personnel are confident that the future will be more promising and we will continue to work solidly together on behalf of you our shareholders.

On Behalf of the Board of Directors

G. M. Kernahan

G. M. Kernahan
President

Calgary, Alberta
December 21, 1971

COMPUTREX CENTRES LTD.

STATEMENT OF EARNINGS

Six Months ended September 30, 1971
(with comparative figures for 1970)

	1971	1970
	(Audited)	
Sales and services of computer supplies and equipment	\$740,057	\$ 175,427
Equipment rentals	102,164	—
Gain on disposal of fixed assets	9,503	—
Investment income	1,713	30,831
	853,437	206,258
Expenses:		
Cost of sales and operating expenses	565,848	579,987
Depreciation and amortization	67,138	67,693
Interest:		
Long term	11,234	313
Other	3,007	—
	647,227	647,993
Net earnings (loss) before income taxes and extraordinary item	206,210	(441,735)
Income taxes	104,200	—
Net earnings (loss) before extraordinary item	102,010	(441,735)
Extraordinary item: Income taxes recoverable arising on application of loss carry forward	104,200	(441,735)
Net earnings (loss)	\$206,210	\$ (441,735)
Earnings (loss) per share:		
Before extraordinary item	\$ 0.03	\$ (0.24)
Extraordinary item	0.02	—
Net earnings (loss)	\$ 0.04	\$ (0.24)